

## Message Text

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43

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-02 DODE-00 PA-03 USIA-12 PRS-01

FS-01 ABF-01 INRE-00 /167 W  
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P 151730 Z MAR 73

FM AMEMBASSY BERN

TO SECSTATE WASHDC PRIORITY 7423

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS PRIORITY

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION OECD PARIS PRIORITY

USMISSION EC BRUSSELS

AMECONSUL ZURICH UNN

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PASS TREASURY AND FEDERAL RESERVE

E. O. 11652: N/ A

TAGS: EFIN SZ

SUBJ: SWISS FOREIGN- EXCHANGE AND GOLD DEVELOPMENTS

1. CONVERSATIONS WITH ZURICH COMMERCIAL BANKERS ( BOTH SWISS AND AMERICAN) INDICATE THEY GENERALLY PESSIMISTIC THAT FRIDAY' S PARIS MEETING OF FINANCE MINISTERS WILL PRODUCE ANY SOLUTION TO CURRENT MONETARY PROBLEMS. OPINIONS RANGE FROM CAUTIOUS PES-  
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SIMISM TO DOWNRIGHT DESPAIR. CONSENSUS IS THAT EC COUNTRIES WILL BE UNABLE TO PULL THEMSELVES TOGETHER SUFFICIENTLY TO SPEAK TO USG WITH ONE VOICE. IN THIS SITUATION BANKERS BELIEVE THAT US NEGOTIATORS WILL RETURN HOME TELLING EC MINISTERS THAT USG WILL BE HAPPY TO HELP PUT TOGETHER A NEW SYSTEM WHEN THE EC COUNTRIES DECIDE WHAT THEY WANT.

JUST A FEW DAYS EARLIER. SUDDEN GLOOM MAY HAVE BEEN BROUGHT ON BY WEAKENING OF DOLLAR IN MARCH 15 TRADING DUE TO 30 MILLION SALE OF DOLLARS BY NEW YORK BANKS IN ZURICH FOREIGN EXCHANGE MARKET LATE MARCH 14. AS OF 1600 HOURS LOCAL TIME MARCH 14, SPOT DOLLAR CLOSED AT SF 3.265/3.27 AFTER THREE DAYS OF STEADY IMPROVEMENT. MAJOR SWISS COMMERCIAL BANKS CONTINUE TRADING AFTER 1600 HOURS HOWEVER ( SOME AS LATE AS 2100 HOURS TO ACCOMMODATE NEW YORK CUSTOMERS), AND LATE IN AFTERNOON NEW YORK BANKS SOLD 30 MILLION DOLLARS IN A VERY THIN MARKET. CONSEQUENTLY, SPOT DOLLARS OPENED MARCH 15 LOWER AT SF 3.2225/3.2325, FLUCTUATED DURING DAY, AND CLOSED AT SF 3.20/3.21.

3. UNCERTAINTY IN MARKET REFLECTED IN WIDENING OF DISCOUNTS ON FORWARD DOLLAR TRANSACTIONS. ON ANNUALIZED BASIS AS OF MARCH 15 DISCOUNTS WERE 6.4 PERCENT, 5.3 PC, 4.6 PC, AND 3.4 PC FOR CONTRACTS OF ONE-, TWO-, THREE-, AND SIX- MONTH MATURITIES.

4. ON LOW VOLUME OF TRADING MARCH 15 PRICE OF GOLD WENT UP SLIGHTLY WITH OPENING OF DOLS 79.50/81.00 AND CLOSE OF 81.75/83.00.  
DAVIS

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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**Current Classification:** UNCLASSIFIED  
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**TAGS:** EFIN, SZ  
**To:** BONN  
BRUSSELS  
EB  
LONDON  
LUXEMBOURG  
PARIS  
ROME

SECSTATE WASHDC  
STOCKHOLM

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